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C O N F I D E N T I A L SECTION 01 OF 02 WARSAW 000218

SIPDIS

NSC FOR K. KVIEN  
EUR FOR DAS GARBER  
TREASURY FOR STEPHEN WINN  
COMMERCE FOR H. SMITH

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TAGS: [KFIN](#) [ECON](#) [PL](#)  
SUBJECT: POLAND ON THE G-20 PROCESS

Classified By: CDA Quanrud for reasons 1.4 (b,d).

¶1. (C) Summary. The Poles are concerned about the evolving composition of the G-20. While they like the G-20 as a forum for coordinating, they are worried that the current composition does not reflect the variety of perspectives needed to comprehensively meet the challenge. They have also not fully developed a position on what shape a new global financial architecture should take, but are working on a paper to that effect. In general terms, the Poles envision a strong IMF with more structured coordination with the Financial Stability Forum and the OECD. The GoP has no plans to publicly complain about being left out of G-20 meetings, but will continue to privately lobby for their inclusion. We should give consideration to whether it is in our interest to have the Poles at the table. End Summary.

G-20 Expansion: Spain - OK; but why the Netherlands?  
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¶2. (C) Finance Ministry contacts over the past month have reiterated to EconOff the message they are sharing through their Embassies in Washington, London, and elsewhere. They are concerned with the composition of the G-20 meetings convened to respond to the global financial crisis. They are emphatic that their complaint is not about their own exclusion or inclusion, rather the logic of G-20 expansion in general, arguing that expansion should aim to include the various regional and economic perspectives around the globe. They understand why earlier meetings, called in great haste, could not be as deliberate in their inclusiveness. However, they are frustrated by what they characterize as the UK's inexplicable invitation to the Netherlands for the April summit.

¶3. (C) The Poles support Spain's inclusion with the idea that it brings an under-represented perspective to the table given Spain's historic links with Latin America. The GoP is against inclusion of the Netherlands as it simply adds another Western European voice to an already crowded "Western" room. Poland, as a country that has successfully developed a conservative financial infrastructure from scratch in 1989, could bring a useful perspective to the discussions. There are a variety of Central and Eastern European economic conditions - including a predominance of subsidiaries in the banking sector - they argue, that make Poland (or presumably one of Poland's neighbors) a necessary voice. They appreciate the Czech role as representing the EU Presidency but do not have confidence in the Czech ability to represent the regional perspective.

Position on Global Reform of Financial Infrastructure  
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14. (C) The Poles do not yet have a formal position on the shape reform should take. However, they have internally agreed on some basic principles. They like the G-20 as the venue for negotiating reforms, as it avoids the petty details that would bog down a more inclusive forum. They are not in favor of creating new institutions or dramatically broadening participation in existing ones. Overall, they would like to see a stronger International Monetary Fund (IMF) formally coordinating with the Financial Stability Forum (FSF) and the Organization for Economic Cooperation and Development (OECD).

15. (C) The Poles support a strong IMF as the appropriate forum for government and Central Bank coordination. Specifically, they think the Fund's resources should be increased while its governance structure should remain more or less as it is. They do not see the utility in expanding developing countries' voice or share in the Fund, as this would make it less, rather than more able to decisively respond to global crises. They see a strong role for the FSF as well in coordinating national-level financial supervisors in cooperation with the IMF (note: the Poles also feel they have a strong voice in the FSF and can protect their interests there).

Immediate Concerns: Ukraine/Latvia/Hungary  
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16. (C) The Poles have an immediate need for a strong IMF. While they feel good about the response of Hungary to its IMF program and are comfortable with progress in Latvia, they are

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extremely worried about what they characterize as a consistently deteriorating situation in Ukraine. From a financial standpoint, the Poles are also constantly frustrated by global markets lumping them in with their neighbors. They know that bad news in Ukraine increases both costs to service Polish debt and pressure on the Polish currency. From a political point of view, they fear that economic collapse in Ukraine means, among other things, an open door for pro-Russian political parties, generally combustible social conditions, and potential political or economic refugees. While Poland may draw on its own existing IMF facilities to keep down costs of financing public sector debt, they are wary of using IMF support, fearing negative public and financial market reactions.

Comment: Poland Seeking a Larger Role  
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17. (C) The GoP plans to be patient as it quietly advocates for inclusion in global financial reform initiatives. The Tusk government is sensitive to being labeled obstructionist, and seeks to distance itself from its predecessor. However, there is a strengthening undertone to our discussions - lax US and Western European financial management delivered this crisis to Poland as markets continue to lump them together with their less responsible neighbors. The EU, they complain, has again proven itself incapable of a strong regional crisis response, and the bigger members are looking after their own interests in global fora. The Poles view their conservative financial supervision and fiscal management as a model for smaller economies, and increasingly see themselves as a leader in Central Europe and a protector of their sometimes unpredictable neighbors to the East (Ukraine, Belarus, Georgia). They will likely continue to push for inclusion in G-20 meetings and a stronger voice in global financial reform -- we should at least consider whether it is also in our interests to see them at the table.  
QUANRUD